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FEDERAL COMMUNICATIONS COMMISSION
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Before the
Federal Communications Commission
Washington, D.C. 20554

In the matter of)

Billed Party Preference)
for 0+ InterLATA)

CC Docket No. 92-77
Phase I

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FCC - MAIL ROOM

REPLY COMMENTS OF LinkUSA CORPORATION

Steven J. Hogan
President
LinkUSA Corporation
230 Second Street S.E.
Suite 400
Cedar Rapids, Iowa 52401

January 6, 1993

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LinkUSA hereby submits its reply comments in the above-captioned proceeding.¹ As a wholesale provider of interstate operator-assisted services, LinkUSA enables third tier² customers to offer enhanced products such as travel features, information services, and operator-assisted calling to their customers. Thus, LinkUSA has a vested interest in the outcome of this proceeding and offers the following comments on the methods for compensating operator service providers who continue to receive 0+ dialed proprietary card calls.

¹Billed Party Preference for 0+ InterLATA Calls, Report and Order and Request for Supplemental Comment, CC Docket No. 92-77 Phase I, FCC No. 92-465, Released: November 6, 1992. "Order".

²The term "third tier interexchange carrier" is used by LinkUSA to denote interexchange carriers whose annual revenues do not exceed \$120 million. LinkUSA research indicates that over 300 such companies are currently operating throughout the United States.

Introduction

In the initial comments submitted by LinkUSA to the Commission in December, we stated that we continue to believe that 0+ in the public domain is the optimal solution for consumers and all interested parties. However, if the Commission chooses to address the "immediate competitive problem"³ in terms of an AT&T educational program coupled with compensation for the Operator Service Providers (OSPs) who continue to receive CIID-based calls, LinkUSA believes that the education program must be closely monitored for effectiveness and OSP compensation of some form must be implemented immediately.

The comments submitted by interested parties demonstrate the need to carefully frame any review of such comments with the issues on which the Commission sought remarks. The issue remaining foremost is the Commission's "paramount concern for consumer welfare."⁴ Secondly, the Commission specifically requested comments on "methods of compensating operator service providers who continue to receive 0+ dialed proprietary card calls and who wish to transfer those calls to the card issuer for completion."⁵ It appears that some commentators wandered from these issues,

³Order at 25.

⁴Order at 1.

⁵Order at 64.

possibly hoping to misdirect the attention of the Commission and other commentators.

LinkUSA believes that consumer welfare is served best by a competitive OSP industry. Part of creating this environment is enabling consumers to discern the costs which create their price and to perceive accurately who is responsible for their frustration. LinkUSA agrees with the Commission⁶ that AT&T has successfully transferred both costs and consumer frustration onto other OSPs. This transfer decreases the competitiveness of the industry and is a disservice to AT&T customers, because these OSPs have no way to correct the problem. Since AT&T is the only party which could unilaterally rectify the situation and does not, it falls to the Commission to restructure the existing market so that the industry remains competitive and consumers well served.

Issues

Compensation

Currently CIID-based calls enter OSP networks and are processed in some fashion by OSPs. This was obvious to the Commission when they stated that, "[AT&T's] competitors are forced to devote their facilities to uncompleteable and therefore unbillable CIID card calls."⁷ However, AT&T's

⁶Order at 25.

⁷Order at 25.

comments betray a fundamental misunderstanding of the processing of their CIID calls which enter another network. They write as if the transfer of calls is something that will happen in the future: "[C]all transfers *will* not advance the Commission's principal objective of assuring that customers *dial the appropriate access codes* to reach their carrier of choice."⁸ Call transfers should be referred to in the present tense, as it is an ongoing activity. In fact, Sprint Communications has already "at considerable expense to itself, [established] a call transfer system."⁹ Other OSPs also process these calls once they enter their networks. The reality precipitating these comments is that, unlike Sprint Communications, many small OSPs cannot afford to have their resources unprofitably consumed by these calls. Additionally, the dialing of access codes is not an issue for these comments, a transparent attempt to redirect the attention of the Commission.

At the same time, AT&T acknowledges their use of other OSP networks as an issue but minimizes it as "an interim one that will likely be of short duration."¹⁰ This leads quickly to a definitional question: "short" by whose

⁸AT&T comments at page 6, emphasis added.

⁹Sprint comments at page 2.

¹⁰AT&T comments at page 1.

standards? AT&T issued the CIID cards in 1991¹¹, a full two years ago. The use of competitor networks will continue, even considering the Telecommunications Operator Consumer Services Improvement Act ("TOCSIA") unblocking dates of early 1993, because of the ease and familiarity of 0+ dialing. Given the obvious self-interest of AT&T's argument, LinkUSA urges the Commission to continue to pursue OSP compensation.

LinkUSA applauds the Commission's recognition of the substantial costs, both monetary and in terms of market share, which the OSP industry has borne for years while processing the CIID based calls which reach their networks. "Thus, the costs incurred in processing such calls cannot be recovered from those causing the costs to be incurred."¹² The monetary costs of processing a CIID call on an OSP network are clearly and concisely outlined by the Competitive Telecommunications Association (Comptel) in their comments at page 6. In addition, Comptel clearly states the basic argument for compensation:

"Simple fairness demands that OSPs be compensated for these costs. AT&T cannot be allowed to use the rest of the operator services industry as a cost-free referral agency for its operator services products. More importantly, AT&T should not be allowed to distort the operator services market by artificially driving up the costs incurred by its OSP competitors, by definition making their offerings less attractive, and, indeed, threatening their very existence."¹³

¹¹FCC News Release, Report No. CC-476, Common Carrier Action, November 6, 1992.

¹²Order at 25.

Two commentors, AT&T and Sprint, oppose the idea of a compensation mechanism. Without commenting on compensation, AT&T assumes any form of transfer is infeasible, and therefore, the Commission should "focus on an educational alternative to call transfers."¹⁴ LinkUSA submits that in most policy formulation, incentives are more apt to induce behavioral changes than is an educational program. Accordingly, LinkUSA believes that compensation to OSPs provides an incentive for AT&T to implement fully and broadly the educational program already mandated by the Commission. Sprint, however, explores compensation and believes that it presents disincentives for OSPs to cooperate, that compensation will provide OSPs with a "new source of revenue," which they will exploit, "induc[ing] callers to dial 0+, contrary to the instructions given by their card issuers."¹⁵ However, LinkUSA believes this a peripheral issue which could be eliminated by the structure of the compensation mechanism.

Both AT&T and Sprint point to the anticipated compliance with the TOCSIA unblocking requirements of early 1993 to reduce the frequency with which CIID-based calls reach other OSP networks. Sprint states that compensation is "premature in light of industry changes."¹⁶ However,

¹³Comptel comments at page 3.

¹⁴AT&T comments at page 6.

¹⁵Sprint comments at page 4.

¹⁶Sprint comments at page 1.

neither party supported this assertion by including empirical evidence including what percentage of calls are currently on OSP networks due to call blocking. Even if it were true that these CIID-based calls on competitors' networks would decrease after unblocking, this argument misdirects attention to broad pictures without regard to the important and unrecoverable cost each call imposes on the OSP. The use of other OSP networks represents seizure of those networks by AT&T without compensation. Every day that OSPs face a cost structure greater than AT&T's tilts the playing field away from a competitive OSP market place.

Compensation Mechanisms

LinkUSA suggested in its initial comments that OSP compensation needs to address both the immediate needs of the OSP industry and the long term needs of the consumer. Immediately, any compensation design should redress the costs OSPs continue to incur daily from services rendered to AT&T customers. From a longer term perspective, LinkUSA proposed that the Commission consider implementing a task force to design a methodology and compensation structure for a direct transfer of consumer calls, thus meeting the underlying public need.

This position is supported by other commentors.¹⁷ Comptel suggests three methods of call transfer and supports

¹⁷See Comptel comments at page 10, MCI comments at page 3.

immediate compensation for costs incurred by OSPs. "Comptel believes that OSPs are entitled to recover all reasonable costs incurred in physically transferring or otherwise redirecting calls placed with proprietary "0+" calling cards."¹⁸ MCI also proposes compensation for three methods of call transfer, including, redialing instructions, call reorigination, and call splashing.

LinkUSA advocates the use of the Comptel suggestions for mechanisms corresponding to both the short-term and long-term compensation needs of the OSP industry¹⁹. In the short term, LinkUSA supports the use of a flat rate for dialing instructions and reorigination by the caller. For the long term, LinkUSA suggests that the Commission create a task force to determine a compensation mechanism for call transfers and to define technical requirements, and that this OSP Compensation Task Force use the Comptel model as a basis from which to start.

Clearly the participation of AT&T must be mandated by the Commission. There are no incentives for AT&T to compensate voluntarily for services which they would receive cost-free. Sprint opposes the mandatory participation, trusting that AT&T (or any other 0+ proprietary card issuer) will participate in a voluntary system, but that OSPs will abuse a compensation system as a revenue generator. LinkUSA

¹⁸Comptel comments at page 14.

¹⁹Comptel comments at pages 15 to 18.

believes that a mandatory system could be organized such that this potential abuse would not happen. However, LinkUSA does not believe that a voluntary system could be constructed which would ensure the participation of AT&T, and that a situation of their making cannot be changed without their cooperation.

Conclusion

"Simple fairness demands that OSPs be compensated"²⁰ by AT&T for costs imposed upon them by AT&T. AT&T, because it alone controls the underlying structural variables, in effect, now forces the Commission to spend time and money on a problem which they unilaterally could solve. LinkUSA urges the Commission to mandate AT&T compensation for OSPs based on the transfer mechanism of the OSP's choosing. LinkUSA reiterates that the primary issue is consumer welfare and this is served best by a competitive OSP industry with an even cost structure. While LinkUSA continues to believe a more competitive OSP industry can be achieved best by placing "0+" in the public domain, making "0+" data bases open to all OSPs for validation and billing of 0+ calls, it urges the Commission to mandate AT&T compensation to OSPs for use of their networks, as well as to enforce and monitor the mandated AT&T educational program.

²⁰Comptel comments at page 3.

For these reasons, LinkUSA urges the Commission to mandate compensation by AT&T to other OSPs who continue to receive 0+ dialed proprietary card calls.

Respectfully submitted,
LinkUSA Corporation

By: 

Steven J. Hogan
President,
LinkUSA Corporation
230 Second Street S.E.
Suite 400
Cedar Rapids, Iowa 52401
319) 363-7570

January 6, 1993

Certificate of Service

I, Loraine Bennett, hereby certify that a copy of the foregoing Comments of LinkUSA was served by Federal Express this 6th day of January 1993 to the persons listed below.

Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Tariff Division
Common Carrier Bureau
Room 518
1919 M Street, N.W.
Washington, D.C. 20554

Downtown Copy Center
Suite 640
1990 M Street, N.W.
Washington, D.C. 20554



Loraine Bennett

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